

TITAN INTERNATIONAL INC
Form 10-Q
October 29, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

**b QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For Quarterly Period Ended: September 30, 2007

OR

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 1-12936

TITAN INTERNATIONAL, INC.

(Exact name of Registrant as specified in its Charter)

Illinois
(State of Incorporation)

36-3228472

(I.R.S. Employer Identification No.)

2701 Spruce Street, Quincy, IL 62301

(Address of principal executive offices, including Zip Code)

(217) 228-6011

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at October 26, 2007
Common stock, no par value per share	27,339,301

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)**

(Amounts in thousands, except earnings per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net sales	\$ 195,472	\$ 156,120	\$ 632,083	\$ 513,891
Cost of sales	177,178	139,040	559,287	443,255
Gross profit	18,294	17,080	72,796	70,636
Selling, general & administrative expenses	14,123	11,260	38,090	33,034
Royalty expense	1,474	1,113	4,490	3,952
Income from operations	2,697	4,707	30,216	33,650
Interest expense	(4,472)	(4,565)	(14,651)	(11,997)
Noncash convertible debt conversion charge	0	0	(13,376)	0
Other income	975	671	2,521	2,820
(Loss) income before income taxes	(800)	813	4,710	24,473
Provision for income taxes	78	325	3,109	9,789
Net (loss) income	\$ (878)	\$ 488	\$ 1,601	\$ 14,684
Earnings per common share:				
Basic	\$ (.03)	\$.02	\$.06	\$.75
Diluted	(.03)	.02	.06	.65
Average common shares outstanding:				
Basic	27,311	19,731	25,137	19,670
Diluted	27,311	20,060	25,591	26,027

See accompanying Notes to Consolidated Condensed Financial Statements.

TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

(Amounts in thousands, except share data)

	September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 55,337	\$ 33,412
Accounts receivable	117,459	73,882
Inventories	132,553	154,604
Deferred income taxes	27,699	29,234
Prepaid and other current assets	20,684	18,801
Total current assets	353,732	309,933
Property, plant and equipment, net	185,490	184,616
Investment in Titan Europe Plc	63,140	65,881
Goodwill	11,702	11,702
Other assets	16,598	12,994
Total assets	\$ 630,662	\$ 585,126
Liabilities and Stockholders' Equity		
Current liabilities		
Short-term debt	\$ 0	\$ 98
Accounts payable	54,646	25,884
Other current liabilities	36,858	36,942
Total current liabilities	91,504	62,924
Long-term debt	200,000	291,266
Deferred income taxes	25,650	27,924
Other long-term liabilities	13,068	15,835
Total liabilities	330,222	397,949
Stockholders' equity		
Common stock (no par, 60,000,000 shares authorized, 30,577,356 issued)	30	30
Additional paid-in capital	304,588	258,071
Retained earnings	37,996	36,802
Treasury stock (at cost, 3,265,015 and 10,678,454 shares, respectively)	(29,707)	(96,264)
Accumulated other comprehensive loss	(12,467)	(11,462)
Total stockholders' equity	300,440	187,177
Total liabilities and stockholders' equity	\$ 630,662	\$ 585,126

See accompanying Notes to Consolidated Condensed Financial Statements.

TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

(All amounts in thousands, except share data)

	Number of common shares	Common Stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total
Balance January 1, 2007	#19,898,902	\$ 30	\$ 258,071	\$ 36,802	\$ (96,264)	\$ (11,462)	\$ 187,177
Comprehensive income:							
Net income				1,601			1,601
Amortization of pension adjustments, net of tax						777	777
Unrealized loss on investment, net of tax						(1,782)	(1,782)
Comprehensive income				1,601		(1,005)	596
Dividends paid on common stock				(407)			(407)
Note conversion	6,577,200		35,240		59,049		94,289
Exercise of stock options	409,120		3,279		3,673		6,952
Issuance of treasury stock for funding contractual obligations on employee contracts	214,000		4,184		1,921		6,105
Issuance of treasury stock for pension plans	200,000		3,590		1,796		5,386
Issuance of treasury stock under 401(k) plan	13,119		224		118		342
Balance September 30, 2007	#27,312,341	\$ 30	\$ 304,588	\$ 37,996	\$ (29,707)	\$ (12,467)	\$ 300,440

See accompanying Notes to Consolidated Condensed Financial Statements.

TITAN INTERNATIONAL, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in thousands)

	Nine months ended	
	September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 1,601	\$ 14,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,467	19,460
Deferred income tax provision	1,907	8,745
Noncash convertible debt conversion charge	13,376	0
Excess tax benefit from stock options exercised	(849)	(379)
Issuance of treasury stock under 401(k) plan	342	161
(Increase) decrease in current assets:		
Accounts receivable	(43,577)	(50,314)
Inventories	22,051	(38,390)
Prepaid and other current assets	(1,883)	(3,016)
Increase in current liabilities:		
Accounts payable	28,762	25,145
Other current liabilities	9,737	15,739
Other, net	2,201	(5,036)
Net cash provided by (used for) operating activities	55,135	(13,201)
Cash flows from investing activities:		
Capital expenditures	(20,869)	(4,844)
Acquisition off-the-road (OTR) assets	(8,900)	(44,000)
Other	453	36
Net cash used for investing activities	(29,316)	(48,808)
Cash flows from financing activities:		
Proceeds on revolving credit facility, net	0	68,200
Payment on debt	(10,164)	(9,814)
Proceeds from exercise of stock options	6,103	3,453
Excess tax benefit from stock options exercised	849	379
Payment of financing fees	(313)	(225)
Dividends paid	(369)	(295)
Net cash (used for) provided by financing activities	(3,894)	61,698
Net increase (decrease) in cash and cash equivalents	21,925	(311)
Cash and cash equivalents at beginning of period	33,412	592
Cash and cash equivalents at end of period	\$ 55,337	\$ 281

See accompanying Notes to Consolidated Condensed Financial Statements.

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

1. ACCOUNTING POLICIES

In the opinion of Titan International, Inc. (“Titan” or the “Company”), the accompanying unaudited consolidated condensed financial statements contain all adjustments, which are normal and recurring in nature and necessary to present fairly the Company’s financial position as of September 30, 2007, the results of operations for the three and nine months ended September 30, 2007 and 2006, and cash flows for the nine months ended September 30, 2007 and 2006.

Accounting policies have continued without significant change and are described in the Summary of Significant Accounting Policies contained in the Company’s 2006 Annual Report on Form 10-K. These interim financial statements have been prepared pursuant to the Securities and Exchange Commission’s rules for Form 10-Q’s and, therefore, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2006 Annual Report on Form 10-K. Certain amounts from prior periods have been reclassified to conform to the current period financial presentation.

2. ACQUISITION OF CONTINENTAL’S OTR ASSETS

On July 31, 2006, Titan Tire Corporation of Bryan, a subsidiary of Titan International, Inc., acquired the off-the-road (OTR) tire assets of Continental Tire North America, Inc. (Continental) in Bryan, Ohio. Titan Tire Corporation of Bryan purchased the assets of Continental’s OTR tire facility for approximately \$53 million in cash proceeds. Titan paid approximately \$44 million at closing and the remaining amount due of approximately \$9 million in the third quarter of 2007. The assets purchased included Continental’s OTR plant, property and equipment located in Bryan, Ohio, inventory and other current assets. The acquisition included an agreement with Continental to use the Continental and General trademarks on OTR tires. As of August 1, 2007, Titan discontinued the Continental brand and is now concentrating on building market share with Titan and General branded OTR tires. In addition, the Company recorded intangibles related to the acquisition as noncurrent assets and assumed warranty liabilities. This acquisition expanded Titan’s product offering into larger earthmoving, construction and mining tires and added the manufacturing capacity of the Bryan facility.

Pro forma information for the three months and nine months ended is as follows (in thousands, except per share data):

	Three months ended September 30,			Nine months ended September 30,		
	Actual 2007	Actual 2006	Pro forma 2006 (a)	Actual 2007	Actual 2006	Pro forma 2006 (a)
Net sales	\$ 195,472	\$ 156,120	\$ 167,883	\$ 632,083	\$ 513,891	\$ 596,233
Net (loss) income	(878)	488	1,620	1,601	14,684	22,611
Diluted earnings per share	(.03)	.02	.08	.06	.65	.95

(a) The unaudited pro forma financial information gives effect to the acquisition of the Continental OTR assets as if the acquisition had taken place on January 1, 2006, versus the actual acquisition date of July 31, 2006. The pro forma information for the Bryan, Ohio, facility was derived from a carve-out of Continental’s OTR historical accounting records.

The pro forma information is presented for illustrative purposes only and may not be indicative of the results that would have been obtained had the acquisition of assets actually occurred on January 1, 2006, nor is it necessarily indicative of Titan's future consolidated results of operations or financial position.

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

3. ACCOUNTS RECEIVABLE

Accounts receivable net of allowance for doubtful accounts consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Accounts receivable, net	\$ 117,459	\$ 73,882

The Company had net accounts receivable of \$117.5 million at September 30, 2007, and \$73.9 million at December 31, 2006. These amounts are net of allowance for doubtful accounts of \$5.7 million at September 30, 2007, and \$4.8 million at December 31, 2006.

4. INVENTORIES

Inventories consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Raw materials	\$ 48,855	\$ 57,814
Work-in-process	20,309	16,738
Finished goods	67,468	84,863
	136,632	159,415
Reduction to LIFO basis	(4,079)	(4,811)
	\$ 132,553	\$ 154,604

Inventories were \$132.6 million at September 30, 2007, and \$154.6 million at December 31, 2006. At September 30, 2007, cost is determined using the first-in, first-out (FIFO) method for approximately 70% of inventories and the last-in, first-out (LIFO) method for approximately 30% of the inventories. At December 31, 2006, the FIFO method was used for approximately 74% of inventories LIFO was used for approximately 26% of the inventories. Included in the inventory balances were reserves for slow-moving and obsolete inventory of \$3.0 million at September 30, 2007, and \$3.2 million at December 31, 2006.

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Land and improvements	\$ 3,088	\$ 3,088
Buildings and improvements	78,258	78,230
Machinery and equipment	272,360	269,730
Tools, dies and molds	53,078	52,205
Construction-in-process	20,005	4,587
	426,789	407,840
Less accumulated depreciation	(241,299)	(223,224)

\$ 185,490 \$ 184,616

Property, plant and equipment, net was \$185.5 million at September 30, 2007, and \$184.6 million at December 31, 2006. Depreciation for the nine months ended September 30, 2007 and 2006, totaled \$19.5 million and \$17.6 million, respectively.

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TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

6. INVESTMENT IN TITAN EUROPE PLC

Investment in unconsolidated affiliate consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Investment in Titan Europe Plc	\$ 63,140	\$ 65,881

The Company owns a 17.3% ownership interest in Titan Europe Plc. In accordance with SFAS No. 115, the Company records the Titan Europe Plc investment as an available-for-sale security and reports the investment at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity. The Company's investment in Titan Europe Plc was \$63.1 million at September 30, 2007, and \$65.9 million at December 31, 2006. Titan Europe Plc is publicly traded on the AIM market in London, England.

7. GOODWILL

The carrying amount of goodwill by segment consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Agricultural segment	\$ 6,912	\$ 6,912
Earthmoving/construction segment	3,552	3,552
Consumer segment	1,238	1,238
	\$ 11,702	\$ 11,702

The Company reviews goodwill to assess recoverability from future operations during the fourth quarter of each annual reporting period, and whenever events and circumstances indicate that the carrying values may not be recoverable. No goodwill charges were recorded in the first nine months of 2007 or 2006. There can be no assurance that future goodwill tests will not result in a charge to earnings.

8. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT

Long-term debt consisted of the following (in thousands):

	September 30, 2007	December 31, 2006
Senior unsecured notes	\$ 200,000	\$ 200,000
Senior unsecured convertible notes	0	81,200
Industrial revenue bonds and other	0	10,164
	200,000	291,364
Less: Amounts due within one year	0	98
	\$ 200,000	\$ 291,266

Aggregate maturities of long-term debt at September 30, 2007, were as follows (in thousands):

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October 1 – December 31, 2007	\$	0
2008		0
2009		0
2010		0
2011		0
Thereafter		200,000
	\$	200,000

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TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Senior unsecured notes

In December 2006, the Company closed its offering of \$200 million 8% senior unsecured notes. The notes were sold at par and are due January 2012. Titan used the net proceeds from this offering to repay outstanding existing debt, excluding the 5.25% senior unsecured convertible notes, and for general corporate purposes.

Revolving credit facility

The Company's \$125 million revolving credit facility with agent LaSalle Bank National Association has a 2009 termination date and is collateralized by a first priority security interest in certain assets of Titan and its domestic subsidiaries. In February 2007, the Company amended the revolving credit facility. The amendment extended the termination date to October 2009 (previously October 2008). The amendment also lowered borrowing rates, which are now based on a pricing grid that varies with amount borrowed. The borrowings under the facility bear interest at a floating rate of LIBOR plus 1% to 2% (previously 2.75%). The amendment allows the Company the ability to request an increase from the current \$125 million up to \$250 million of availability.

At September 30, 2007, there were no cash borrowings on the revolver. Outstanding letters of credit on the facility were \$6.1 million at September 30, 2007, leaving \$118.9 million of unused availability on the revolving credit facility. The facility contains certain financial covenants, restrictions and other customary affirmative and negative covenants. The Company was in compliance with these covenants and restrictions as of September 30, 2007.

Senior unsecured convertible notes conversion

In January 2007, the Company filed a registration statement relating to an offer to the holders of its 5.25% senior unsecured convertible notes due 2009 to convert their notes into Titan's common stock at an increased conversion rate (the "Offer"). Per the Offer, each \$1,000 principal amount of notes was convertible into 81.0000 shares of common stock, which is equivalent to a conversion price of approximately \$12.35 per share. Prior to the Offer, each \$1,000 principal amount of notes was convertible into 74.0741 shares of common stock, which was equivalent to a conversion price of approximately \$13.50 per share.

The registration statement relating to the shares of common stock to be offered was declared effective February 2007. In March 2007, the Company announced 100% acceptance of the conversion offer and the \$81.2 million of accepted notes were converted into 6,577,200 shares of Titan common stock. Titan recognized a noncash charge of \$13.4 million in connection with this exchange in accordance with SFAS No. 84, "Induced Conversions of Convertible Debt."

Industrial revenue bonds and other

Other debt primarily consisted of industrial revenue bonds, loans from local and state entities, and other long-term notes. All industrial revenue bonds and other debt were fully paid off in the first quarter of 2007.

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

9. WARRANTY

The Company provides limited warranties on workmanship on its products in all market segments. The majority of the Company's products have a limited warranty that ranges from zero to ten years, with certain products being prorated after the first year. The Company calculates a provision for warranty expense based on past warranty experience. The warranty amount increases in the first nine months of 2007 were related to the Company's higher sales levels. Warranty accruals are included as a component of other current liabilities on the Consolidated Condensed Balance Sheets. Changes in the warranty liability consisted of the following (in thousands):

	2007	2006
Warranty liability, January 1	\$ 4,688	\$ 1,838
Provision for and assumption of warranty liabilities	5,803	4,851
Warranty payments made	(4,756)	(2,759)
Warranty liability, September 30	\$ 5,735	\$ 3,930

10. EMPLOYEE BENEFIT PLANS

The Company has two frozen defined benefit pension plans and one defined benefit plan that purchased a final annuity settlement in 2002. The Company currently sponsors five 401(k) retirement savings plans.

The components of net periodic pension cost consisted of the following (in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Interest cost	\$ 941	\$ 983	\$ 2,823	\$ 2,949
Expected return on assets	(1,256)	(1,168)	(3,768)	(3,504)
Amortization of unrecognized prior service cost	34	34	102	102
Amortization of unrecognized deferred taxes	(14)	(14)	(42)	(42)
Amortization of net unrecognized loss	398	462	1,194	1,386
Net periodic pension cost	\$ 103	\$ 297	\$ 309	\$ 891

During the first nine months of 2007, the Company contributed cash funds of approximately \$1 million to the frozen defined benefit pension plans. In addition, in April 2007 the Company contributed Titan common stock with an approximate value of \$5 million to the frozen defined benefit pension plans. The Company anticipates making no further contributions to these plans during the remainder of 2007.

11. LEASE COMMITMENTS

The Company leases certain buildings and equipment under operating leases. Certain lease agreements provide for renewal options, fair value purchase options, and payment of property taxes, maintenance and insurance by the Company.

At September 30, 2007, future minimum commitments under noncancellable operating leases with initial or remaining terms of at least one year were as follows (in thousands):

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October 1 – December 31, 2007	\$	661
2008		1,605
2009		1,176
2010		874
2011		527
Thereafter		0
Total future minimum lease payments	\$	4,843

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TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

12. SEGMENT INFORMATION

The table below presents information about certain revenues and income from operations used by the chief operating decision maker of the Company for the three and nine months ended September 30, 2007 and 2006 (in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenues from external customers				
Agricultural	\$ 118,530	\$ 89,014	\$ 377,930	\$ 329,708
Earthmoving/construction	69,431	56,683	216,891	117,489
Consumer	7,511	10,423	37,262	66,694
Consolidated totals	\$ 195,472	\$ 156,120	\$ 632,083	\$ 513,891
Income from operations				
Agricultural	\$ 4,242	\$ 2,445	\$ 22,338	\$ 34,412
Earthmoving/construction	8,955	8,643	35,694	18,344
Consumer	371	401	2,201	2,076
Reconciling items ^(a)	(10,871)	(6,782)	(30,017)	(21,182)
Consolidated totals	\$ 2,697	\$ 4,707	\$ 30,216	\$ 33,650

Assets by segment were as follows (in thousands):

	September	December
	30, 2007	31, 2006
Total assets		
Agricultural segment	\$ 267,079	\$ 273,787
Earthmoving/construction segment	193,978	145,964
Consumer segment	21,155	22,678
Reconciling items ^(b)	148,450	142,697
Consolidated totals	\$ 630,662	\$ 585,126

(a) Represents corporate expenses and depreciation and amortization expense related to property, plant and equipment

carried at the corporate level.

(b) Represents property, plant and equipment and other corporate assets.

13. ROYALTY EXPENSE

Royalty expense consisted of the following (in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006

Royalty expense	\$	1,474	\$	1,113	\$	4,490	\$	3,952
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The Goodyear North American farm tire asset acquisition included a license agreement with The Goodyear Tire & Rubber Company to manufacture and sell certain off-highway tires in North America under the Goodyear name. Royalty expenses recorded were \$1.5 million and \$1.1 million for the three months ended September 30, 2007 and 2006, respectively. Royalty expenses were \$4.5 million and \$4.0 million for the nine months ended September 30, 2007 and 2006, respectively.

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

14. NONCASH CONVERTIBLE DEBT CONVERSION CHARGE

Noncash convertible debt conversion charge consisted of the following (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Noncash convertible debt conversion charge	\$ 0	\$ 0	\$ 13,376	\$ 0

In January 2007, the Company filed a registration statement relating to an offer to the holders of its 5.25% senior unsecured convertible notes due 2009 to convert their notes into Titan's common stock at an increased conversion rate (the "Offer"). Per the Offer, each \$1,000 principal amount of notes was convertible into 81.0000 shares of common stock, which is equivalent to a conversion price of approximately \$12.35 per share.

Prior to the Offer, each \$1,000 principal amount of notes was convertible into 74.0741 shares of common stock, which was equivalent to a conversion price of approximately \$13.50 per share. The registration statement relating to the shares of common stock to be offered was declared effective February 2007. In March 2007, the Company announced 100% acceptance of the conversion offer and the \$81.2 million of accepted notes were converted into 6,577,200 shares of Titan common stock.

The Company recognized a noncash charge of \$13.4 million in connection with this exchange in accordance with Statement of Financial Accounting Standards (SFAS) No. 84, "Induced Conversions of Convertible Debt." This charge does not reflect \$1.0 million of interest previously accrued on the notes. The shares issued for the conversion were issued out of treasury shares. The exchange resulted in a decrease in treasury stock of \$59.0 million and an increase to additional paid-in capital of approximately \$35.2 million. Stockholder's equity increased by \$94.3 million in total as a result of this exchange.

15. OTHER INCOME

Other income consisted of the following (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Interest income	\$ 835	\$ 162	\$ 2,040	\$ 1,518
Dividend income – Titan Europe Plc	0	470	1,132	1,281
Debt termination expense	0	0	(688)	0
Other income	140	39	37	21
	\$ 975	\$ 671	\$ 2,521	\$ 2,820

Debt termination expense of \$0.7 million related to fees and expenses for the March 2007 conversion of 100% of the Company's 5.25% senior unsecured convertible notes. Interest income increased as a result of higher cash balances.

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

16. INCOME TAXES

Income tax expense consisted of the following (in thousands):

	Three months ended September 30, 2007		September 30, 2006	
Income tax expense	\$ 78	\$ 325	\$ 3,109	\$ 9,789

The Company recorded income tax expense of \$0.1 million for the three months ended September 30, 2007, as compared to \$0.3 million in 2006. Income tax expense was \$3.1 million for nine months ended September 30, 2007, as compared to \$9.8 million in 2006. The Company's effective income tax rate was 66% and 40% for the nine months ended September 30, 2007 and 2006, respectively. The Company's income tax expense and rate differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of the \$13.4 million noncash charge taken in connection with the 100% conversion of the Company's convertible debt. This noncash debt charge is not deductible for income tax purposes.

The Company has applied the provisions of FIN 48 for the period ended September 30, 2007. Titan has identified its federal tax return and its Illinois state tax return as "major" tax jurisdictions. The Company is subject to (i) federal tax examinations for periods 2003 to 2006 and (ii) Illinois state income tax examinations for years 2005 and 2006.

17. EARNINGS PER SHARE

Earnings per share (EPS) are as follows (amounts in thousands, except per share data):

	September 30, 2007		September 30, 2006	
	Net Loss	Weighted average shares	Per share amount	Net Income
Basic EPS	\$ (878)	27,311	\$ (.03)	\$ 488
Effect of stock options	0	0		0
Diluted EPS	\$ (878)	27,311	\$ (.03)	\$ 488

	September 30, 2007		September 30, 2006	
	Net Income	Weighted average shares	Per share amount	Net Income
Basic EPS	\$ 1,601	25,137	\$.06	\$ 14,684
Effect of stock options/trusts	0	454		0
Effect of convertible notes	0	0		2,156
Diluted EPS	\$ 1,601	25,591	\$.06	\$ 16,840

The effect of stock options has been excluded for the three months ended September 30, 2007, as the effect would have been antidilutive. The weighted average share amount excluded was 427,000 shares. The effect of convertible

notes has been excluded for the three months ended September 30, 2006, and for the nine months ended September 30, 2007, as the effect would have been antidilutive. The weighted average share amount excluded was 6,015,000 shares for the three months ended September 30, 2006, and 1,741,000 shares for the nine months ended September 30, 2007.

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

18. COMPREHENSIVE INCOME (LOSS)

Comprehensive loss for the third quarter of 2007 totaled \$(0.3) million, compared to \$(1.5) million in the third quarter of 2006. Comprehensive loss for the third quarter of 2007 included net loss of \$(0.9) million, amortization of pension adjustments of \$0.3 million and unrealized gain on the Titan Europe Plc investment of \$0.3 million. Comprehensive loss for the third quarter of 2006 included net income of \$0.5 million and unrealized loss on the Titan Europe Plc investment of \$(1.9) million.

Comprehensive income for the nine months ended September 30, 2007, was \$0.6 million, compared to \$15.2 million in 2006. Comprehensive income for the nine months ended September 30, 2007, included net income of \$1.6 million, amortization of pension adjustments of \$0.8 million and unrealized loss on the Titan Europe Plc investment of \$(1.8) million. Comprehensive income for the nine months ended September 30, 2006, included net income of \$14.7 million and unrealized gain on the Titan Europe Plc investment of \$0.5 million.

19. LITIGATION

The Company is a party to routine legal proceedings arising out of the normal course of business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, the Company believes at this time that none of these actions, individually or in the aggregate, will have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, due to the difficult nature of predicting future legal claims, the Company cannot anticipate or predict the material adverse effect on its financial condition, results of operations or cash flows as a result of efforts to comply with or its liabilities pertaining to legal judgments.

20. RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards Number 157

In September 2006, Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," was issued. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is evaluating the effect the adoption of this standard will have on its consolidated financial position, results of operations and cash flows.

Statement of Financial Accounting Standards Number 159

In February 2007, SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," was issued. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for fiscal years beginning after November 15, 2007. The Company is evaluating the effect the adoption of this standard will have on its consolidated financial position, results of operations and cash flows.

21. RECENT DEVELOPMENT

On October 1, 2007, the Titan Tire Bryan pension plan, adopted at the date of the Continental OTR asset acquisition and frozen from its inception, received a cash transfer of approximately \$24 million from Continental Tire North America's frozen pension plan for the Bryan, Ohio, location. The amount transferred into the frozen plan was actuarially approved to be a fully funded plan.

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

22. SUBSIDIARY GUARANTOR FINANCIAL INFORMATION

The Company's \$200 million 8% senior unsecured notes are guaranteed by each of Titan's current and future wholly owned domestic subsidiaries other than its immaterial subsidiaries (subsidiaries with total assets less than \$250,000 and total revenues less than \$250,000). The note guarantees are joint and several obligations of the guarantors. Non-guarantors consist primarily of foreign subsidiaries of the Company, which are organized outside the United States of America. The following condensed consolidating financial statements are presented using the equity method of accounting.

Consolidating Condensed Statements of Operations

(Amounts in thousands)

For the Three Months Ended September 30, 2007

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 0	\$ 195,472	\$ 0	\$ 0	\$ 195,472
Cost of sales	12	177,166	0	0	177,178
Gross (loss) profit	(12)	18,306	0	0	18,294
Selling, general and administrative expenses	3,672	10,412	39	0	14,123
Royalty expense	0	1,474	0	0	1,474
(Loss) income from operations	(3,684)	6,420	(39)	0	2,697
Interest expense	(4,473)	1	0	0	(4,472)
Intercompany interest income (expense)	2,371	(2,666)	295	0	0
Other income (expense)	1,178	(204)	1	0	975
(Loss) income before income taxes	(4,608)	3,551	257	0	(800)
(Benefit) provision for income taxes	(7,209)	6,903	384	0	78
Equity in earnings of subsidiaries	(3,479)	0	0	3,479	0
Net loss	\$ (878)	\$ (3,352)	\$ (127)	\$ 3,479	\$ (878)

For the Three Months Ended September 30, 2006

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 0	\$ 156,120	\$ 0	\$ 0	\$ 156,120
Cost of sales	80	138,960	0	0	139,040
Gross (loss) profit	(80)	17,160	0	0	17,080
Selling, general and administrative expenses	3,348	7,872	40	0	11,260
Royalty expense	0	1,113	0	0	1,113
(Loss) income from operations	(3,428)	8,175	(40)	0	4,707
Interest expense	(4,483)	(82)	0	0	(4,565)
Intercompany interest income (expense)	1,121	(1,387)	266	0	0
Other (expense) income	(177)	84	764	0	671

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(Loss) income before income taxes	(6,967)	6,790	990	0	813
(Benefit) provision for income taxes	(2,787)	2,716	396	0	325
Equity in earnings of subsidiaries	4,668	0	0	(4,668)	0
Net income	\$ 488	\$ 4,074	\$ 594	\$ (4,668)	\$ 488

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TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Consolidating Condensed Statements of Operations

(Amounts in thousands)

For the Nine Months Ended September 30, 2007

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 0	\$ 632,083	\$ 0	\$ 0	\$ 632,083
Cost of sales	545	558,742	0	0	559,287
Gross (loss) profit	(545)	73,341	0	0	72,796
Selling, general and administrative expenses	13,193	24,739	158	0	38,090
Royalty expense	0	4,490	0	0	4,490
(Loss) income from operations	(13,738)	44,112	(158)	0	30,216
Interest expense	(14,648)	(3)	0	0	(14,651)
Intercompany interest income (expense)	8,767	(9,607)	840	0	0
Noncash convertible debt conversion charge	(13,376)	0	0	0	(13,376)
Other income (expense)	1,560	(176)	1,137	0	2,521
(Loss) income before income taxes	(31,435)	34,326	1,819	0	4,710
(Benefit) provision for income taxes	(20,747)	22,655	1,201	0	3,109
Equity in earnings of subsidiaries	12,289	0	0	(12,289)	0
Net income	\$ 1,601	\$ 11,671	\$ 618	\$ (12,289)	\$ 1,601

For the Nine Months Ended September 30, 2006

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 0	\$ 513,891	\$ 0	\$ 0	\$ 513,891
Cost of sales	239	443,016	0	0	443,255
Gross (loss) profit	(239)	70,875	0	0	70,636
Selling, general and administrative expenses	10,998	21,905	131	0	33,034
Royalty expense	0	3,952	0	0	3,952
(Loss) income from operations	(11,237)	45,018	(131)	0	33,650
Interest expense	(11,564)	(433)	0	0	(11,997)
Intercompany interest income (expense)	3,359	(4,044)	685	0	0
Other income	482	282	2,056	0	2,820
(Loss) income before income taxes	(18,960)	40,823	2,610	0	24,473
(Benefit) provision for income taxes	(7,584)	16,328	1,045	0	9,789
Equity in earnings of subsidiaries	26,060	0	0	(26,060)	0
Net income	\$ 14,684	\$ 24,495	\$ 1,565	\$ (26,060)	\$ 14,684

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Consolidating Condensed Balance Sheets

(Amounts in thousands)

	September 30, 2007				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 55,111	\$ 21	\$ 205	\$ 0	\$ 55,337
Accounts receivable	0	117,459	0	0	117,459
Inventories	0	132,553	0	0	132,553
Prepaid and other current assets	30,419	17,964	0	0	48,383
Total current assets	85,530	267,997	205	0	353,732
Property, plant and equipment, net	1,731	183,759	0	0	185,490
Investment in Titan Europe Plc	22,793	0	40,347	0	63,140
Investment in subsidiaries	23,241	0	0	(23,241)	0
Other assets	12,840	15,460	0	0	28,300
Total assets	\$ 146,135	\$ 467,216	\$ 40,552	\$ (23,241)	\$ 630,662
Liabilities and Stockholders' Equity					
Accounts payable	\$ 2,223	\$ 52,423	\$ 0	\$ 0	\$ 54,646
Other current liabilities	3,011	33,899	(52)	0	36,858
Total current liabilities	5,234	86,322	(52)	0	91,504
Long-term debt	200,000	0	0	0	200,000
Other long-term liabilities	32,169	6,542	7	0	38,718
Intercompany accounts	(391,708)	382,324	9,384	0	0
Stockholders' equity	300,440	(7,972)	31,213	(23,241)	300,440
Total liabilities and stockholders' equity	\$ 146,135	\$ 467,216	\$ 40,552	\$ (23,241)	\$ 630,662

	December 31, 2006				
	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 33,220	\$ 69	\$ 123	\$ 0	\$ 33,412
Accounts receivable	(38)	73,920	0	0	73,882
Inventories	0	154,604	0	0	154,604
Prepaid and other current assets	3,937	44,036	62	0	48,035
Total current assets	37,119	272,629	185	0	309,933
Property, plant and equipment, net	1,279	183,337	0	0	184,616
Investment in Titan Europe Plc	25,534	0	40,347	0	65,881
Investment in subsidiaries	14,517	0	0	(14,517)	0
Other assets	8,802	15,894	0	0	24,696
Total assets	\$ 87,251	\$ 471,860	\$ 40,532	\$ (14,517)	\$ 585,126

Liabilities and Stockholders' Equity

Accounts payable	\$	1,058	\$	24,826	\$	0	\$	0	\$	25,884
Other current liabilities		3,437		33,607		(11)		7		37,040
Total current liabilities		4,495		58,433		(11)		7		62,924
Long-term debt		290,700		566		0		0		291,266
Other long-term liabilities		10,896		30,393		2,470		0		43,759
Intercompany accounts		(406,017)		398,856		7,168		(7)		0
Stockholders' equity		187,177		(16,388)		30,905		(14,517)		187,177
Total liabilities and stockholders' equity	\$	87,251	\$	471,860	\$	40,532	\$	(14,517)	\$	585,126

TITAN INTERNATIONAL, INC.
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Consolidating Condensed Statements of Cash Flows

(Amounts in thousands)

For the Nine Months Ended September 30, 2007

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Net cash provided by operating activities	\$ 34,751	\$ 20,302	\$ 82	\$ 55,135
Cash flows from investing activities:				
Capital expenditures	(730)	(20,139)	0	(20,869)
Acquisition off-the-road (OTR) assets	(8,900)	0	0	(8,900)
Other, net	0	453	0	453
Net cash used for investing activities	(9,630)	(19,686)	0	(29,316)
Cash flows from financing activities:				
Payment of debt	(9,500)	(664)	0	(10,164)
Proceeds from exercise of stock options	6,103	0	0	6,103
Excess tax benefit from stock options exercised	849	0	0	849
Other, net	(682)	0	0	(682)
Net cash used for financing activities	(3,230)	(664)	0	(3,894)
Net increase (decrease) in cash and cash equivalents	21,891	(48)	82	21,925
Cash and cash equivalents, beginning of period	33,220	69	123	33,412
Cash and cash equivalents, end of period	\$ 55,111	\$ 21	\$ 205	\$ 55,337

For the Nine Months Ended September 30, 2006

	Titan Intl., Inc. (Parent)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidated
Net cash (used for) provided by operating activities	\$ (27,530)	\$ 14,594	\$ (265)	\$ (13,201)
Cash flows from investing activities:				
Capital expenditures	(6)	(4,838)	0	(4,844)
Acquisition off-the-road (OTR) assets	(44,000)	0	0	(44,000)
Other, net	0	36	0	36
Net cash used for investing activities	(44,006)	(4,802)	0	(48,808)
Cash flows from financing activities:				
Proceeds on revolving credit facility, net	68,200	0	0	68,200
Payment of debt	0	(9,814)	0	(9,814)
Proceeds from exercise of stock options	3,453	0	0	3,453
Other, net	(141)	0	0	(141)
Net cash provided by (used for) financing activities	71,512	(9,814)	0	61,698

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Net decrease in cash and cash equivalents	(24)	(22)	(265)	(311)
Cash and cash equivalents, beginning of period	59	49	484	592
Cash and cash equivalents, end of period	\$ 35	\$ 27	\$ 219	\$ 281

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TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of financial condition and results of operations (MD&A) is designed to provide a reader of these financial statements with a narrative from the perspective of the management of Titan International, Inc. (Titan or the Company) on Titan's financial condition, results of operations, liquidity and other factors which may affect the Company's future results. The MD&A in this quarterly report should be read in conjunction with the MD&A in Titan's 2006 annual report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2007.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements, including statements regarding, among other items:

- Anticipated trends in the Company's business
- Future expenditures for capital projects
- The Company's ability to continue to control costs and maintain quality
- Ability to meet financial covenants and conditions of loan agreements
- The Company's business strategies, including its intention to introduce new products
- Expectations concerning the performance and success of the Company's existing and new products
- The Company's intention to consider and pursue acquisitions and divestitures

Readers of this Form 10-Q should understand that these forward-looking statements are based on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control.

Actual results could differ materially from these forward-looking statements as a result of certain factors, including:

- Changes in the Company's end-user markets as a result of world economic or regulatory influences
- Changes in the marketplace, including new products and pricing changes by the Company's competitors
 - Availability and price of raw materials
 - Levels of operating efficiencies
 - Actions of domestic and foreign governments
 - Results of investments
 - Fluctuations in currency translations

- Ability to secure financing at reasonable terms

Any changes in such factors could lead to significantly different results. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this document will in fact transpire.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
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OVERVIEW

Titan International, Inc. and its subsidiaries are leading manufacturers of wheels, tires and assemblies for off-highway vehicles used in the agricultural, earthmoving/construction and consumer markets. Titan's earthmoving/construction market also includes products supplied to the U.S. government, while the consumer market includes products for all-terrain vehicles (ATVs) and recreational applications. Titan manufactures both wheels and tires for the majority of these market applications, allowing the Company to provide the value-added service of delivering complete wheel and tire assemblies. The Company offers a broad range of products that are manufactured in relatively short production runs to meet the specifications of original equipment manufacturers (OEMs) and/or the requirements of aftermarket customers.

The Company's major OEM customers include large manufacturers of off-highway equipment such as AGCO Corporation, Caterpillar Inc., CNH Global N.V., Deere & Company and Kubota Corporation, in addition to many other off-highway equipment manufacturers. The Company distributes products to OEMs, independent and OEM-affiliated dealers, and through a network of distribution facilities.

Quarter: The Company recorded sales of \$195.5 million for the third quarter of 2007, which were 25% higher than the third quarter 2006 sales of \$156.1 million. The significantly higher sales level was attributed to strong demand in the agricultural and earthmoving/construction segments.

Income from operations was \$2.7 million for the third quarter of 2007 as compared to \$4.7 million in 2006. Titan's net loss was \$(0.9) million for the third quarter of 2007, compared to net income of \$0.5 million in 2006. Basic loss per share was \$(.03) in the third quarter of 2007, compared to earnings per share of \$.02 in 2006.

Year-to-date: The Company recorded sales of \$632.1 million for the nine months ended September 30, 2007, as compared to \$513.9 million in 2006. The significantly higher sales level was attributed to the expanded earthmoving, construction and mining product offering of Continental and General branded off-the-road (OTR) tires. These product offerings came with the added manufacturing capacity from the Bryan OTR facility, which was acquired on July 31, 2006. As of August 1, 2007, Titan discontinued the Continental brand and is now concentrating on building market share with Titan and General branded OTR tires.

Income from operations was \$30.2 million for the nine months ended September 30, 2007, as compared to \$33.7 million in 2006. Titan's net income was \$1.6 million for the nine months ended September 30, 2007, as compared to \$14.7 million in 2006. Basic earnings per share were \$.06 for the nine months ended September 30, 2007, compared to \$.75 in 2006.

GIANT OTR MINING TIRES

In May 2007, Titan's Board of Directors approved funding for the Company to increase giant OTR mining tire production capacity to include 57-inch and 63-inch giant radial tires. This funding should allow Titan to produce up to an estimated 6,000 giant radial tires a year. Titan estimates this may increase sales as much as \$240 million. The Company currently plans to be in start-up production of these giant mining tires by the end of the second quarter of 2008.

OTR PRODUCTION REALIGNMENT

Due to capacity constraints at Titan's Bryan, Ohio, OTR tire facility, the Company is adding OTR tire capacity at its Freeport, Illinois, and Des Moines, Iowa, facilities. Titan is aligning synergies, which includes retooling, retraining

personnel and redistribution of equipment at the Bryan, Freeport and Des Moines facilities. These OTR realignment costs lowered the Company's gross profit for the three and nine months ended September 30, 2007, as labor costs that are normally dedicated to making products were instead used for retooling, retraining and redistribution of equipment.

TITAN INTERNATIONAL, INC.
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SENIOR UNSECURED CONVERTIBLE NOTES CONVERSION

In January 2007, the Company filed a registration statement relating to an offer to the holders of its 5.25% senior unsecured convertible notes due 2009 to convert their notes into Titan's common stock at an increased conversion rate (the "Offer"). Per the Offer, each \$1,000 principal amount of notes was convertible into 81.0000 shares of common stock, which is equivalent to a conversion price of approximately \$12.35 per share. Prior to the Offer, each \$1,000 principal amount of notes was convertible into 74.0741 shares of common stock, which was equivalent to a conversion price of approximately \$13.50 per share.

The registration statement relating to the shares of common stock to be offered was declared effective February 2007. In March 2007, the Company announced 100% acceptance of the conversion offer and the \$81.2 million of accepted notes were converted into 6,577,200 shares of Titan common stock. Titan recognized a noncash charge of \$13.4 million in connection with this exchange in accordance with SFAS No. 84, "Induced Conversions of Convertible Debt."

SENIOR UNSECURED NOTES

In December 2006, the Company closed its offering of \$200 million 8% senior unsecured notes. The notes were sold at par and are due January 2012. Titan used the net proceeds from this offering to repay outstanding existing debt, excluding the 5.25% senior unsecured convertible notes, and for general corporate purposes.

ACQUISITION OF CONTINENTAL'S OTR ASSETS

On July 31, 2006, Titan Tire Corporation of Bryan, a subsidiary of Titan International, Inc., acquired the off-the-road (OTR) tire assets of Continental Tire North America, Inc. (Continental) in Bryan, Ohio. Titan Tire Corporation of Bryan purchased the assets of Continental's OTR tire facility for approximately \$53 million in cash proceeds. Titan paid approximately \$44 million at closing and the remaining amount due of approximately \$9 million in the third quarter of 2007. The assets purchased included Continental's OTR plant, property and equipment located in Bryan, Ohio, inventory and other current assets. The acquisition included an agreement with Continental to use the Continental and General trademarks on OTR tires. As of August 1, 2007, Titan discontinued the Continental brand and is now concentrating on building market share with Titan and General branded OTR tires. The Company recorded intangibles related to the acquisition as noncurrent assets and assumed warranty liabilities.

The Continental OTR acquisition expanded Titan's product offering into larger earthmoving, construction and mining tires and added the manufacturing capacity of the Bryan facility. The productivity obtained at the Bryan facility is meeting Titan's current expectations. The Bryan facility achieved a manufacturing output of approximately \$27 million and \$87 million in the three and nine months ended September 30, 2007, respectively.

CRITICAL ACCOUNTING ESTIMATES

Preparation of the financial statements and related disclosures in compliance with generally accepted accounting principles accepted in the United States requires the application of appropriate technical accounting rules and guidance, as well as the use of estimates. The Company's application of these policies involves assumptions that require difficult subjective judgments regarding many factors, which, in and of themselves, could materially impact the financial statements and disclosures. A future change in the estimates, assumptions or judgments applied in determining the following matters, among others, could have a material impact on future financial statements and disclosures.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method for approximately 70% of inventories and the last-in, first-out (LIFO) method for approximately 30% of inventories. The major rubber material inventory and related work-in-process and finished goods are accounted for under the FIFO method. The major steel material inventory and related work-in-process and finished goods are accounted for under the LIFO method. Market value is estimated based on current selling prices. Estimated provisions are established for excess and obsolete inventory, as well as inventory carried above market price based on historical experience. Should this experience change, adjustments to the estimated provisions would be necessary.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
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Impairment of Goodwill

The Company reviews goodwill to assess recoverability from future operations during the fourth quarter of each annual reporting period, and whenever events and circumstances indicate that the carrying values may not be recoverable. The Company had goodwill of \$11.7 million at September 30, 2007. Significant assumptions relating to future operations must be made when estimating future cash flows in analyzing goodwill for impairment. Should unforeseen events occur or operating trends change significantly, impairment losses could occur.

Valuation of Investment Accounted for as Available-for-Sale Security

The Company has an investment in Titan Europe Plc of \$63.1 million as of September 30, 2007, representing a 17.3% ownership position. Titan Europe Plc is publicly traded on the AIM market in London, England. This investment is recorded as "Investment in Titan Europe Plc" on the consolidated balance sheet. In accordance with SFAS No. 115, the Company records the Titan Europe Plc investment as an available-for-sale security and reports this investment at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity. Should the fair value decline below the cost basis, the Company would be required to determine if this decline is other than temporary. If the decline in fair value were judged to be other than temporary, an impairment charge would be recorded. Should unforeseen events occur or investment trends change significantly, impairment losses could occur. Declared dividends on this investment are recorded in income as a component of other income.

Income taxes

Deferred income tax provisions are determined using the liability method, whereby deferred tax assets and liabilities are recognized based upon temporary differences between the financial statement and income tax basis of assets and liabilities. The Company assesses the realizability of its deferred tax asset position in accordance with SFAS No. 109.

Asset and Business Acquisitions

The allocation of purchase price for asset and business acquisitions requires management estimates and judgment as to expectations for future cash flows of the acquired assets and business and the allocation of those cash flows to identifiable intangible assets in determining the estimated fair value for purchase price allocations. If the actual results differ from the estimates and judgments used in determining the purchase price allocations, impairment losses could occur relating to any intangibles recorded in the acquisition. To aid in establishing the value of any intangible assets at the time of acquisition, the Company typically engages a professional appraisal firm.

Retirement Benefit Obligations

Pension benefit obligations are based on various assumptions used by third-party actuaries in calculating these amounts. These assumptions include discount rates, expected return on plan assets, mortality rates and other factors. Revisions in assumptions and actual results that differ from the assumptions could affect future expenses, cash funding requirements and obligations. The Company has two frozen defined benefit pension plans and one defined benefit plan that purchased a final annuity settlement in 2002. During the first nine months of 2007, the Company contributed cash funds of approximately \$1 million to its frozen pension plans. In addition, in April 2007 the Company contributed Titan common stock with an approximate value of \$5 million to the frozen pension plans. The Company anticipates making no further contributions to these plans during the remainder of 2007. For more information concerning these costs and obligations, see the discussion of the "Pensions" and Note 21 to the Company's financial statements on Form 10-K for the fiscal year ended December 31, 2006.

TITAN INTERNATIONAL, INC.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

RESULTS OF OPERATIONS

The following table and discussions provide highlights for the three and nine months ended September 30, 2007, compared to 2006 (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net sales	\$ 195,472	\$ 156,120	\$ 632,083	\$ 513,891
Cost of sales	177,178	139,040	559,287	443,255
Gross profit	18,294	17,080	72,796	70,636
Gross profit margin	9.4%	10.9%	11.5%	13.7%

Net Sales

Quarter: Net sales for the quarter ended September 30, 2007, were \$195.5 million, compared to \$156.1 million in 2006. The large sales improvement of \$39.4 million, or 25%, was primarily attributed to strong demand in the agricultural and earthmoving/construction segments.

Year-to-date: Net sales for the nine months ended September 30, 2007, were \$632.1 million, compared to 2006 net sales of \$513.9 million. The large sales improvement of \$118.2 million, or 23%, was primarily attributed to the expanded earthmoving, construction and mining product offering of Continental and General branded off-the-road (OTR) tires, along with added manufacturing capacity from the Bryan, Ohio, facility, which was acquired on July 31, 2006. As of August 1, 2007, Titan discontinued the Continental brand and is now concentrating on building market share with Titan and General branded OTR tires. In addition, the Company has experienced strong demand in the agricultural segment.

Cost of Sales and Gross Profit

Quarter: Cost of sales were \$177.2 million and \$139.0 million for the three months ended September 30, 2007 and 2006, respectively. The large increase in cost of sales resulted from the net sales increase.

Gross profit for the third quarter of 2007 was \$18.3 million, or 9.4%, of net sales, compared to \$17.1 million, or 10.9%, of net sales for the third quarter of 2006. Due to capacity constraints at the Bryan OTR tire facility, the Company is adding OTR tire capacity at its Freeport, Illinois, and Des Moines, Iowa, tire facilities. Titan is aligning synergies, which includes retooling, retraining personnel and redistribution of equipment at the Bryan, Freeport and Des Moines facilities.

The OTR realignment costs lowered the Company's gross profit for the quarter ended September 30, 2007, as labor costs that are normally dedicated to making products were instead used for retooling, retraining and redistribution of equipment. The Company estimates realignment costs to be approximately \$4 million for the quarter ended September 30, 2007.

Year-to-date: Cost of sales were \$559.3 million for the nine months ended September 30, 2007, compared to \$443.3 million in 2006. The large increase in cost of sales resulted from the net sales increase and the cost of products produced at the Bryan facility.

Gross profit for the nine months ended September 30, 2007, was \$72.8 million, or 11.5%, of net sales, compared to \$70.6 million, or 13.7%, of net sales in 2006. Due to capacity constraints at the Bryan OTR tire facility, the Company is adding OTR tire capacity at its Freeport, Illinois, and Des Moines, Iowa, tire facilities. Titan is aligning synergies, which includes retooling, retraining personnel and redistribution of equipment at the Bryan, Freeport and Des Moines facilities.

The OTR realignment costs lowered the Company's gross profit for the nine months ended September 30, 2007, as labor costs that are normally dedicated to making products were instead used for retooling, retraining and redistribution of equipment. The Company estimates realignment costs to be approximately \$14 million to \$16 million for the nine months ended September 30, 2007.

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Administrative Expenses

Selling, general and administrative expenses were as follows (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Selling, general and administrative	\$ 14,123	\$ 11,260	\$ 38,090	\$ 33,034
<i>Percentage of net sales</i>	<i>7.2%</i>	<i>7.2%</i>	<i>6.0%</i>	<i>6.4%</i>

Quarter: Selling, general and administrative (SG&A) expenses for the third quarter of 2007 were \$14.1 million, or 7.2%, of net sales, compared to \$11.3 million, or 7.2%, of net sales for 2006. The higher SG&A costs are primarily the result of the higher selling costs related to higher sales and the CEO's special performance award. Selling costs were approximately \$1 million higher for the three months ended September 30, 2007, when compared to 2006. Expenses recorded for the CEO's special performance award were approximately \$1 million for the third quarter.

Year-to-date: Expenses for SG&A for the nine months ended September 30, 2007, were \$38.1 million, or 6.0%, of net sales, compared to \$33.0 million, or 6.4%, of net sales in 2006. The higher SG&A costs are primarily the result of the higher selling costs related to higher sales and the CEO's special performance award. Selling costs were approximately \$2 million higher for the nine months ended September 30, 2007, when compared to 2006. Expenses recorded for the CEO's special performance award were approximately \$3 million for the nine months ended September 30, 2007.

Royalty Expense

Royalty expense was as follows (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Royalty expense	\$ 1,474	\$ 1,113	\$ 4,490	\$ 3,952

The Goodyear North American farm tire asset acquisition included a license agreement with The Goodyear Tire & Rubber Company to manufacture and sell certain off-highway tires in North America under the Goodyear name.

Quarter: Royalty expenses recorded were \$1.5 million and \$1.1 million for the three months ended September 30, 2007 and 2006, respectively. The increase in royalty expenses is directly attributable to the higher sales levels.

Year-to-date: Year-to-date royalty expenses recorded were \$4.5 million and \$4.0 million for the nine months ended September 30, 2007 and 2006, respectively. The increase in royalty expenses is directly attributable to the higher sales levels.

Income from Operations

Income from operations was as follows (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Income from operations	\$ 2,697	\$ 4,707	\$ 30,216	\$ 33,650

<i>Percentage of net sales</i>	1.4%	3.0%	4.8%	6.5%
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Quarter: Income from operations for the third quarter of 2007 was \$2.7 million, or 1.4%, of net sales, compared to \$4.7 million, or 3.0%, in 2006. Income from operations was affected by the items previously discussed in the cost of sales and administrative expense line items.

Year-to-date: Income from operations for the nine months ended September 30, 2007, was \$30.2 million, or 4.8%, of net sales, compared to \$33.7 million, or 6.5%, in 2006. Income from operations was affected by the items previously discussed in the cost of sales and administrative expense line items.

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Interest Expense

Interest expense was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Interest expense	\$ 4,472	\$ 4,565	\$ 14,651	\$ 11,997

Quarter: Interest expense was \$4.5 million and \$4.6 million for the three months ended September 30, 2007 and 2006, respectively. The interest expense during the 2007 period primarily related to the Company's \$200 million 8% senior unsecured notes.

Year-to-date: Year-to-date interest expense was \$14.7 million and \$12.0 million for the nine months ended September 30, 2007 and 2006, respectively. The increase in interest expense for the nine months ended September 30, 2007, as compared to 2006, was primarily the result of a higher average year over year debt balance.

Noncash Convertible Debt Conversion Charge

Noncash convertible debt conversion charge was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Noncash debt conversion charge	\$ 0	\$ 0	\$ 13,376	\$ 0

Quarter: A debt conversion charge was not applicable in the three months ended September 30, 2007 and 2006.

Year-to-date: In March 2007, the Company converted \$81.2 million of 5.25% senior convertible notes into 6,577,200 shares of Titan common stock. Titan recognized a noncash charge of \$13.4 million in connection with this exchange in accordance with SFAS No. 84, "Induced Conversions of Convertible Debt."

Other Income

Other income was as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Other income	\$ 975	\$ 671	\$ 2,521	\$ 2,820

Quarter: Other income was \$1.0 million and \$0.7 million for the three months ended September 30, 2007 and 2006, respectively. Interest income included in other income was \$0.8 million and \$0.2 million for the three months ended September 30, 2007 and 2006, respectively. Interest income increased as a result of higher cash balances.

Year-to-date: Year-to-date other income was \$2.5 million for 2007 as compared to \$2.8 million in 2006. For the nine months ended September 30, interest income included in other income was \$2.0 million in 2007 as compared to \$1.5 million in 2006. Interest income increased as a result of higher cash balances. Dividend income of \$1.1 million and \$1.3 million from the Titan Europe Plc investment was recorded in the nine months ended September 30, 2007 and 2006, respectively.

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Income Taxes

Income taxes were as follows (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Income taxes	\$ 78	\$ 325	\$ 3,109	\$ 9,789

Quarter: The Company recorded income tax expense of \$0.1 million for the three months ended September 30, 2007, as compared to \$0.3 million in 2006.

Year-to-date: Income tax expense for the nine months ended September 30, 2007 and 2006, was \$3.1 million and \$9.8 million, respectively. The Company's effective income tax rate was 66% and 40% for the nine months ended September 30, 2007 and 2006, respectively. The Company's income tax expense and rate differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pre-tax income primarily as a result of the \$13.4 million noncash charge taken in connection with the Company's convertible debt. This noncash debt charge is not deductible for income tax purposes.

Net (Loss) Income

Net (loss) income was as follows (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net (loss) income	\$ (878)	\$ 488	\$ 1,601	\$ 14,684

Quarter: Net loss for the three months ended September 30, 2007, was \$(0.9) million, compared to net income of \$0.5 million in 2006. For the three months ended September 30, 2007, basic and diluted loss per share was \$(.03), compared to basic and diluted earnings per share of \$.02 in 2006. The Company's net income and earnings per share decreased due to the items detailed above.

Year-to-date: Net income for the nine months ended September 30, 2007 and 2006, was \$1.6 million and \$14.7 million, respectively. For the nine months ended September 30, 2007, basic and diluted earnings per share were \$.06, compared to basic earnings per share of \$.75 and diluted earnings per share of \$.65 in 2006. The Company's net income and earnings per share decreased due to the items detailed above and as the result of the \$13.4 million noncash convertible debt conversion charge.

Agricultural Segment Results

Agricultural segment results were as follows (amounts in thousands):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net sales	\$ 118,530	\$ 89,014	\$ 377,930	\$ 329,708
Income from operations	4,242	2,445	22,338	34,412

Quarter: Net sales in the agricultural market were \$118.5 million for the three months ended September 30, 2007, as compared to \$89.0 million in 2006, a 33% increase. Income from operations in the agricultural market was \$4.2

million for the three months ended September 30, 2007, as compared to \$2.4 million in 2006. The sales and income increases were related to higher demand in the agricultural segment.

Year-to-date: Net sales in the agricultural market were \$377.9 million for the nine months ended September 30, 2007, as compared to \$329.7 million in 2006. Income from operations in the agricultural market was \$22.3 million for the nine months ended September 30, 2007, as compared to \$34.4 million in 2006. The year-to-date decrease in income from operations in the agricultural market was primarily attributed to the OTR realignment costs of approximately \$14 million to \$16 million and related disruptions to production in the agricultural segment.

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Earthmoving/Construction Segment Results

Earthmoving/Construction segment results were as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 69,431	\$ 56,683	\$ 216,891	\$ 117,489
Income from operations	8,955	8,643	35,694	18,344

Quarter: The Company's earthmoving/construction market net sales were \$69.4 million for the three months ended September 30, 2007, as compared to \$56.7 million for 2006, a 22% improvement. Income from operations in the earthmoving/ construction market was \$9.0 million for the three months ended September 30, 2007, as compared to \$8.6 million in 2006. The sales and income increases were related to higher demand in the earthmoving/construction segment.

Year-to-date: The Company's earthmoving/construction market net sales were \$216.9 million for the nine months ended September 30, 2007, as compared to \$117.5 million for 2006, an 85% increase. The expanded product offering of the Continental and General brands for OTR tires, along with added manufacturing capacity from the Bryan, Ohio, facility accounted for the higher sales levels in the earthmoving/construction market in 2007. As of August 1, 2007, Titan discontinued the Continental brand and is now concentrating on building market share with Titan and General branded OTR tires.

Income from operations in the earthmoving/construction market was \$35.7 million for the nine months ended September 30, 2007, as compared to \$18.3 million in 2006. The Bryan facility produces OTR tires for earthmoving, construction and mining machinery in sizes larger than the Company was able to produce before this facility was acquired on July 31, 2006. The increase in income from operations in the earthmoving/construction segment is the result of margins realized on these larger earthmoving, construction and mining tires and additional OTR capacity.

Consumer Segment Results

Consumer segment results were as follows (amounts in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 7,511	\$ 10,423	\$ 37,262	\$ 66,694
Income from operations	371	401	2,201	2,076

Quarter: Consumer market net sales were \$7.5 million for the three months ended September 30, 2007, as compared to \$10.4 million for 2006. The Goodyear farm tire asset acquisition agreement included an off-take/mixing agreement for certain product sales to Goodyear. The decrease in consumer market sales is primarily related to a reduction in sales to The Goodyear Tire & Rubber Company of approximately \$3 million for the three months ended September 30, 2007, as compared to 2006. Consumer market income from operations remained stable at \$0.4 million for the three months ended September 30, 2007 and 2006.

Year-to-date: Consumer market net sales were \$37.3 million for the nine months ended September 30, 2007, as compared to \$66.7 million for 2006. The decrease in consumer market sales is primarily related to a reduction in sales to The Goodyear Tire & Rubber Company of approximately \$21 million for the nine months ended September 30,

2007, as compared to 2006. Consumer market income from operations had a slight improvement to \$2.2 million for the nine months ended September 30, 2007, as compared to \$2.1 million in 2006.

Corporate Expenses

Quarter: Income from operations on a segment basis does not include corporate expenses or depreciation expense related to property, plant and equipment carried at the corporate level totaling \$10.9 million for the three months ended September 30, 2007, as compared to \$6.8 million in 2006. Approximately \$2 million of the higher corporate expenses in the third quarter relates to additional expenses for selling and the CEO's special performance award.

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Year-to-date: Income from operations on a segment basis does not include corporate expenses or depreciation expense related to property, plant and equipment carried at the corporate level totaling \$30.0 million for the nine months ended September 30, 2007, as compared to \$21.2 million in 2006. Higher corporate expenses in the nine months ended September 30, 2007, relates primarily to approximately \$2 million for selling expenses and approximately \$3 million for the CEO's special performance award.

MARKET RISK SENSITIVE INSTRUMENTS

The Company's risks related to foreign currencies, commodity prices and interest rates are consistent with those for 2006. For more information, see the "Market Risk Sensitive Instruments" discussion in the Company's Form 10-K for the fiscal year ended December 31, 2006.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2007, the Company had \$55.3 million of cash balances within various bank accounts. This cash balance increased by \$21.9 million from December 31, 2006, due to the cash flow items discussed in the following paragraphs.

Operating cash flows

In the first nine months of 2007, operating activities provided cash of \$55.1 million. This cash was primarily provided by net income of \$1.6 million, increases of \$28.8 million in accounts payable and \$9.7 million in other current liabilities, along with a decrease of \$22.1 million in inventories. Included as a reduction to net income were noncash charges of \$21.5 million for depreciation and amortization and \$13.4 million for a debt conversion charge. Positive cash flows were offset by an increase in accounts receivable of \$43.6 million.

In comparison, in the first nine months of 2006, cash of \$13.2 million was used for operating activities. This usage was primarily the result of increases in accounts receivable and inventory of \$50.3 million and \$38.4 million, respectively. Cash outflows were offset by net income of \$14.7 million and increases in accounts payable and other current liabilities of \$25.1 million and \$15.7 million, respectively. Included as a reduction to net income were noncash charges for depreciation and amortization of \$19.5 million.

Investing cash flows

The Company invested \$20.9 million in capital expenditures in the first nine months of 2007, compared to \$4.8 million in the first nine months of 2006. Of the \$20.9 million of capital expenditures in 2007, approximately \$8 million of this amount relates to the Company's giant OTR mining tire project. The remaining expenditures represent various equipment purchases and improvements to enhance production capabilities.

In the nine months ended September 30, 2007, the Company paid the remaining \$8.9 million due on the Continental OTR tire asset acquisition. In the nine months ended September 30, 2006, Titan invested \$44.0 million for the Continental OTR tire asset acquisition.

Financing cash flows

In the nine months ended September 30, 2007, \$3.9 million of cash was used for financing activities. This cash use resulted primarily from debt payment of \$10.2 million, offset by \$6.1 million in proceeds from the exercise of stock options.

In comparison, in the first nine months of 2006, financing activities provided cash of \$61.7 million. This cash was provided primarily by net debt proceeds of \$58.4 million and \$3.5 million in proceeds from the exercise of stock options.

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Debt Covenants

The Company's revolving credit facility contains various covenants and restrictions. The major financial covenants in this agreement require that:

- Collateral coverage be equal to or greater than 1.2 times the outstanding revolver balance.
- If the 30-day average of the outstanding revolver balance exceeds \$100 million, the fixed charge coverage ratio be equal to or greater than a 1.0 to 1.0 ratio.

Restrictions include:

- Limits on payments of dividends and repurchases of the Company's stock.
- Restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company.
- Limitations on investments, dispositions of assets and guarantees of indebtedness.
- Other customary affirmative and negative covenants.

These covenants and restrictions could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital, to pay dividends or to take advantage of business opportunities, including future acquisitions. The failure by Titan to meet these covenants could result in the Company ultimately being in default on these loan agreements.

The Company is in compliance with these covenants and restrictions as of September 30, 2007. The collateral coverage was calculated to be 68.5 times the outstanding revolver balance at September 30, 2007.

The fixed charge coverage ratio did not apply for the quarter ended September 30, 2007. The credit facility usage was \$6.1 million at September 30, 2007, consisting exclusively of letters of credit of \$6.1 million with no cash borrowings on the facility.

Other Issues

The Company's business is subject to seasonal variations in sales that affect inventory levels and accounts receivable balances. Historically, the Company has tended to experience higher sales demand in the first and second quarters of the year.

Liquidity Outlook

At September 30, 2007, the Company had cash and cash equivalents of \$55.3 million and \$118.9 million of unused availability under the terms of its revolving credit facility. The availability under the Company's \$125 million revolving credit facility is reduced by \$6.1 million for outstanding letters of credit. The Company has a net operating loss carryforward of approximately \$30 million, expiring primarily in 2023, which is expected to reduce the Company's income tax payments in the future.

On May 17, 2007, Titan's Board of Directors approved funding for the Company to increase giant OTR mining tire production capacity to include 57-inch and 63-inch giant radial tires (the "OTR Project"). The Company estimates that current commitments related to the OTR Project at this time are approximately \$41 million, of which approximately \$8 million was disbursed through September 30, 2007. Additional capital expenditure commitments will be incurred through 2008 as the OTR Project moves to completion. The final cost of these additional OTR capital items have not been finalized at this time. The Company currently anticipates that cash on hand and anticipated internal cash flows from operations will allow the Company sufficient funds for completion of the OTR Project. In addition to the OTR Project, the Company estimates that its capital expenditures for other projects for the remainder of 2007 will be approximately \$4 million.

Cash on hand and anticipated internal cash flows from operations are expected to provide sufficient liquidity for working capital needs and capital expenditures including the OTR Project. The Company has a \$125 million revolving credit facility that may be increased to \$250 million and currently there are no cash borrowings on the facility. If the Company were to exhaust the availability on this facility or were not to meet the financial covenants and conditions of its loan agreements, the Company's ability to secure additional funding may be limited.

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MARKET CONDITIONS AND OUTLOOK

On July 31, 2006, Titan Tire Corporation of Bryan, a subsidiary of the Company, acquired the OTR tire facility of Continental Tire North America, Inc. in Bryan, Ohio. The Bryan facility produces tires for earthmoving, construction and mining equipment in larger sizes than Titan previously produced. Titan is using the expanded earthmoving/construction product offering supplied by the Bryan facility, along with its added manufacturing capacity, to expand market share.

Due to capacity constraints at Titan's Bryan, Ohio, OTR tire facility, the Company is adding OTR tire capacity at its Freeport, Illinois, and Des Moines, Iowa, facilities. Titan is aligning synergies, which includes retooling, retraining personnel and redistribution of equipment at the Bryan, Freeport and Des Moines facilities. These OTR realignment costs will lower the Company's gross profit for 2007, as labor costs that are normally dedicated to making products will be instead used for retooling, retraining and redistribution of equipment.

Higher energy, raw material and petroleum-based product costs may continue to negatively impact the Company's margins. Many of Titan's overhead expenses are fixed; therefore, lower seasonal trends may cause negative fluctuations in quarterly profit margins and affect the financial condition of the Company.

AGRICULTURAL MARKET OUTLOOK

Agricultural market sales are forecasted to remain higher for the remainder of 2007. The farm economy is being helped by high commodity prices. However, the farm economy is also affected by high input costs for fuel and fertilizer. A continuing increase in the use of grain-based ethanol and soybean-based biodiesel fuel should support commodity prices and farm income levels in the long-term.

The Company believes the increasing demand for biofuels may possibly result in a stronger market than is now being forecasted. The Company's largest customer, Deere & Company, has extended its long-term wheel agreement with Titan to an expiration date of October 2010. Many variables, including weather, grain prices, export markets and future government policies and payments can greatly influence the overall health of the agricultural economy.

EARTHMOVING/CONSTRUCTION MARKET OUTLOOK

Sales for the earthmoving/construction market are expected to remain strong throughout 2007. Metals, oil and gas prices have remained at high levels that are attractive for continued investment, which will maintain support for earthmoving and mining sales. However, the decline in housing starts is negatively impacting the sales of smaller earthmoving/ construction equipment used in homebuilding.

The Bryan facility produces OTR tires for large earthmoving, construction and mining machinery, which Titan did not previously produce. Therefore, Titan's total 2007 sales in this segment are expected to remain higher than the 2006 totals. The Company's OTR production realignment is allowing Titan to expand production in earthmoving/construction tire sizes that are in short supply. The earthmoving/construction segment is affected by many variables, including commodity prices, road construction, infrastructure, government appropriations and housing starts. Many of these items are very sensitive to interest rate fluctuations.

CONSUMER MARKET OUTLOOK

Titan's sales in the consumer market include sales to Goodyear, which fluctuate significantly based upon their future product requirements, including an off-take/mixing agreement. This agreement includes mixed stock, which is a prepared rubber compound used in tire production. The Company's consumer market sales may fluctuate significantly

related to sales volumes under the off-take/mixing agreement with Goodyear. The Company expects the remaining consumer market sales to be slightly lower in 2007 when compared to the previous year.

The all-terrain vehicle (ATV) wheel and tire market is expected to offer future long-term growth opportunities for Titan. However, at this time, Titan's focus is on OTR production, as previously discussed. Many factors affect the consumer market including weather, competitive pricing, energy prices and consumer attitude.

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PENSIONS

The Company has two frozen defined benefit pension plans and one defined benefit plan that purchased a final annuity settlement in 2002. These plans are described in Note 21 of the Company's Notes to Consolidated Financial Statements in the 2006 Annual Report on Form 10-K. The Company's recorded liability for pensions is based on a number of assumptions, including discount rates, rates of return on investments, mortality rates and other factors. Certain of these assumptions are determined with the assistance of outside actuaries. Assumptions are based on past experience and anticipated future trends. These assumptions are reviewed on a regular basis and revised when appropriate. Revisions in assumptions and actual results that differ from the assumptions could affect future expenses, cash funding requirements and the carrying value of the related obligations. During the first quarter of 2007, the Company contributed cash funds of approximately \$1 million to the frozen defined benefit pension plans. In addition, in April 2007 the Company contributed two hundred thousand shares of Titan common stock with an approximate value of \$5 million to the frozen pension plans. The Company anticipates making no further contributions to these plans during the remainder of 2007.

RECENT DEVELOPMENT

On October 1, 2007, the Titan Tire Bryan pension plan, adopted at the date of the Continental OTR asset acquisition and frozen from its inception, received a cash transfer of approximately \$24 million from Continental Tire North America's frozen pension plan for the Bryan, Ohio, location. The amount transferred into the frozen plan was actuarially approved to be a fully funded plan.

NEW ACCOUNTING STANDARDS

Statement of Financial Accounting Standards Number 157

In September 2006, Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," was issued. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is evaluating the effect the adoption of this standard will have on its consolidated financial position, results of operations and cash flows.

Statement of Financial Accounting Standards Number 159

In February 2007, SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," was issued. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for fiscal years beginning after November 15, 2007. The Company is evaluating the effect the adoption of this standard will have on its consolidated financial position, results of operations and cash flows.

TITAN INTERNATIONAL, INC.

PART I. FINANCIAL INFORMATION

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See the Company's 2006 Annual Report filed on Form 10-K (Item 7A). There has been no material change in this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's principal executive officer and principal financial officer believe the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are effective as of the end of the period covered by this Form 10-Q based on an evaluation of the effectiveness of disclosure controls and procedures.

Changes in Internal Controls

There were no material changes in internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the third quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to routine legal proceedings arising out of the normal course of business. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss, the Company believes at this time that none of these actions, individually or in the aggregate, will have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, due to the difficult nature of predicting future legal claims, the Company cannot anticipate or predict the material adverse effect on its financial condition, results of operations or cash flows as a result of efforts to comply with or its liabilities pertaining to legal judgments.

Item 6. Exhibits

(a) Exhibits

31.1 Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

TITAN INTERNATIONAL, INC.

PART II. OTHER INFORMATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TITAN INTERNATIONAL, INC.
(Registrant)

Date: October 29, 2007

By: /s/ MAURICE M. TAYLOR JR.
Maurice M. Taylor Jr.
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ KENT W. HACKAMACK
Kent W. Hackamack
Vice President of Finance and Treasurer
(Principal Financial Officer)